

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name PARMA-SANDSTONE FIRE DEPARTMENT	County JACKSON
Fiscal Year End 02/28/2006	Opinion Date 08/30/2006	Date Audit Report Submitted to State 09/19/2006	

We affirm that:

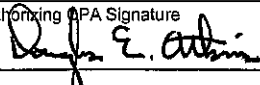
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO Check each applicable box below. (See instructions for further detail.)
1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
 3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 4. ☒ ☐ The local unit has adopted a budget for all required funds.
 5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
 6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
 9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 11. ☒ ☐ The local unit is free of repeated comments from previous years.
 12. ☒ ☐ The audit opinion is UNQUALIFIED.
 13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
 15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:		Enclosed	Not Required (enter a brief justification)	
Financial Statements		<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations		<input checked="" type="checkbox"/>		
Other (Describe)		<input type="checkbox"/>		
Certified Public Accountant (Firm Name) MARKOWSKI & COMPANY CPAs		Telephone Number (517) 782-9351		
Street Address 2880 SPRING ARBOR RD		City JACKSON	State MI	Zip 49203
Authorizing CPA Signature 		Printed Name DOUGLAS E. ATKINS, CPA		License Number 1101016353

PARMA SANDSTONE FIRE DEPARTMENT

FINANCIAL STATEMENTS

**AS OF MARCH 31, 2006
AND THE THIRTEEN MONTHS
THEN ENDED**

PARMA SANDSTONE FIRE DEPARTMENT

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MEMBERS:

AMERICAN INSTITUTE OF
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MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

ESTATE PLANNING COUNCIL OF
SOUTH CENTRAL MICHIGAN

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Parma Sandstone Fire Department
Parma, Michigan

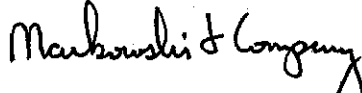
We have audited the accompanying financial statements of the governmental activities and the major funds of the **Parma Sandstone Fire Department** as of March 31, 2006, and for the thirteen months then ended. These financial statements are the responsibility of the Parma Sandstone Fire Department's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Parma Sandstone Fire Department as of March 31, 2006, and the results of its operations for the thirteen months then ended in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison information on page 15 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Parma Sandstone Fire Department has elected not to present Management's Discussion and Analysis as required supplementary information. The Governmental Accounting Standards Board has determined that such information is necessary to supplement, although not required to be a part of, the basic financial statements.



MARKOWSKI & COMPANY CPAs
August 30, 2006

BASIC FINANCIAL STATEMENTS

Government-Wide Financial Statements

Governmental Fund Financial Statements

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Statement of Net Assets

Statement of Activities

PARMA SANDSTONE FIRE DEPARTMENT
STATEMENT OF NET ASSETS
MARCH 31, 2006

	Total Governmental Funds
ASSETS:	
Current Assets:	
Cash	\$ 141,647
Investments	110,805
Prepaid expenses	5,843
Due From Other Governments	18,250
Total current assets	<u>276,545</u>
Noncurrent Assets:	
Capital assets, net of accumulated depreciation	316,507
Total assets	<u>593,052</u>
LIABILITIES:	
Current Liabilities:	
Accounts payable	300
Deferred Revenue	1,412
Total current liabilities	<u>1,712</u>
Noncurrent liabilities:	
Accrued payroll	-
Total liabilities	<u>1,712</u>
NET ASSETS:	
Invested in Capital Assets:	
Sandstone Charter Township	105,503
Parma Township	105,502
Village of Parma	105,502
Total invested in capital assets	<u>316,507</u>
Unrestricted:	
Sandstone Charter Township	190,873
Parma Township	80,282
Village of Parma	3,679
Total unrestricted net assets	<u>274,834</u>
Total net assets	<u>\$ 591,341</u>

The accompanying notes are an integral part of this statement.

PARMA SANDSTONE FIRE DEPARTMENT
STATEMENT OF ACTIVITIES
THE YEAR ENDED FEBRUARY 28, 2006

Functions/Programs:	Expenses	Charges for Service	Operating Grants & Contributions	Capital Grants & Contributions	Net (Expense) Revenue
Government activities:					
Public safety	\$(194,586)	\$ 11,670	\$ 419,536	\$ 10,148	\$ 246,768
Total governmental activities	\$(194,586)	\$ 11,670	\$ 419,536	\$ 10,148	246,768
General revenues:					
Governmental contributions					-
Interest and rents					573
Donations					-
Total general revenues					573
Change in Net Assets					247,341
Net Assets - Beginning					87,560
Net Assets - Ending					\$ 334,901

The accompanying notes are an integral part of this statement.

GOVERNMENTAL FUND FINANCIAL STATEMENTS

Governmental Fund Balance Sheet

Reconciliation of the Governmental Fund Balance to Net Assets

Governmental Fund Statement of Revenues, Expenditures, and
Changes in Fund Balance

Reconciliation of the Governmental Fund Statement of Revenues, Expenditures,
and Changes in Fund Balances to the Statement of Activities

PARMA SANDSTONE FIRE DEPARTMENT
GOVERNMENTAL FUNDS BALANCE SHEET
MARCH 31, 2006

	General Fund	Insurance Recovery Fund	Total Governmental Funds
ASSETS:			
Cash	\$ 138,307	\$ 3,340	\$ 141,647
Investments	100,182	10,623	110,805
Due From Other Governments	18,250	-	18,250
Total assets	<u>\$ 256,739</u>	<u>\$ 13,963</u>	<u>\$ 270,702</u>
LIABILITIES:			
Accounts payable	\$ 300	\$ -	\$ 300
Deferred revenue	-	1,412	1,412
Total liabilities	<u>300</u>	<u>1,412</u>	<u>1,712</u>
FUND BALANCE:			
Unreserved:			
Sandstone Charter Township	183,515	5,020	188,535
Parma Township	72,924	5,020	77,944
Parma Village	-	2,511	2,511
Total Fund balance	<u>256,439</u>	<u>12,551</u>	<u>268,990</u>
Total liabilities and fund balance	<u>\$ 256,739</u>	<u>\$ 13,963</u>	<u>\$ 270,702</u>

The accompanying notes are an integral part of this statement.

PARMA SANDSTONE FIRE DEPARTMENT
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
MARCH 31, 2006

Total fund balance - total governmental funds	\$ 12,551
Amounts reported for governmental activities in the statement of net assets are different because:	
The Department's insurance policy terms run from July 1, 2005 to June 30, 2006. For the statement of net assets, the unexpired premiums are reported as a prepaid expense.	
	5,843
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.	
Add - Capital assets	857,710
Deduct - Accumulated depreciation	<u>(541,203)</u>
Net assets of governmental activities	<u><u>\$ 334,901</u></u>

The notes to the financial statements are an integral part of this statement.

PARMA SANDSTONE FIRE DEPARTMENT
GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
THE THIRTEEN MONTHS ENDED MARCH 31, 2006

	General Fund	Insurance Recovery Fund	Total Governmental Funds
REVENUES:			
Intergovernmental:			
Government contributions:			
Sandstone Charter Township	\$ 245,950	\$ -	\$ 245,950
Parma Township	135,431	-	135,431
Parma Village	32,438	-	32,438
Total government contributions	413,819	-	413,819
Federal grants	-	-	-
State grants	-	5,717	5,717
Total intergovernmental	413,819	5,717	419,536
Charges for service	-	11,670	11,670
Interest	284	289	573
Donations	-	10,148	10,148
Total revenues	414,103	27,824	441,927
EXPENDITURES:			
Public Safety:			
Chief's salary	11,591	-	11,591
Officer's salaries	10,300	-	10,300
Firefighter wages	49,678	-	49,678
Payroll taxes	5,497	-	5,497
Chief's expenses	377	-	377
Office supplies	860	-	860
Operating supplies	1,817	3,798	5,615
Repairs and maintenance	3,205	-	3,205
Professional services	-	-	-
Mowing	720	-	720
Radio maintenance	2,444	-	2,444
Computer expense	1,029	-	1,029
Truck repair	12,952	339	13,291
Gas and oil	4,084	-	4,084
Printing	431	-	431
Insurance	23,461	-	23,461
Medical	1,984	-	1,984
Telephone	2,365	-	2,365
Utilities	7,539	-	7,539
Building maintenance	1,803	-	1,803
Training	4,309	5,817	10,126
Miscellaneous	1,991	5,700	7,691
Memberships and dues	1,063	-	1,063
Capital outlay - Under threshold	2,429	-	2,429
Turnout cleaning	1,199	-	1,199
Capital outlay	4,535	8,660	13,195
Total expenditures	157,663	24,314	171,677
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	256,440	3,510	270,250
FUND BALANCE - Beginning	-	9,041	9,041
FUND BALANCE - Ending	\$ 256,440	\$ 12,551	\$ 279,291

The accompanying notes are an integral part of this statement.

PARMA SANDSTONE FIRE DEPARTMENT
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
THE YEAR ENDED MARCH 31, 2006

Net change in fund balances - total governmental funds	\$ 270,250
Amounts reported for governmental activities in the statement of activities are different because:	
The effect of reporting insurance premiums on the full accrual basis for the statement of net assets results in an adjustment to insurance expense reported in the statement of activities.	(712)
Government funds report capital outlay as expenditures. However, in the government wide statement of activities and changes in net assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets purchased in the current period.	13,195
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.	<u>(35,392)</u>
Change in net assets of governmental activities	<u><u>\$ 247,341</u></u>

The notes to the financial statements are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

PARMA SANDSTONE FIRE DEPARTMENT
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**PARMA SANDSTONE FIRE DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Parma Sandstone Fire Department (the "Department") conform to accounting principles generally accepted (GAAP) in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements.

A. Reporting Entity:

The Department was formed under the provisions of Act 33 of the Public Acts of 1951 and an agreement between Sandstone Charter Township, Parma Township, and the Village of Parma. The purpose of the agreement was to organize a fire department with sufficient equipment and personnel to provide fire protection to the residents of the two townships, including the village. The agreement was substantially revised effective February 28, 2006 following approval of a special millage by the voters of both Sandstone Charter Township and Parma Township. The agreement can be terminated with one year's notice.

The Department is governed by a six member board. Each participating entity appoints two members (one is to be a member of that entity's board serving a four year term concurrent with that of their elected board term; the other is to be an at-large member of the community and will serve a three year term (the initial at-large member's terms are to be staggered); the seventh member is appointed by the entity's board to which the Department's board chair is a member and will serve a one year term.

The Department's operations were supported by contributions from the participating entities. Operating expenditures were split 20% to Parma Village and 40% each to the townships. Capital acquisitions were split equally between the three entities. Effective April 1, 2006, the operations and capital acquisitions will be supported by the proceeds from the voter approved millage. These costs will be allocated based upon the proportionate taxable values of ad valorem and industrial facilities tax rolls of the townships. For 2006, the proportions are: Sandstone Charter Township 71.5088%; Parma Township 28.4912%.

The Department has adopted a thirteen month fiscal period for its initial period of operations under the new agreement; this effectively changes the fiscal year of the Department to that of the Townships from that of the Village.

In accordance with GAAP as established by the GASB, the Department is not a component unit of the participating entities, and has no component units itself. The criteria used for this determination include oversight responsibility, scope of public services, and special relationships.

B. Government-Wide and Fund Financial Statements:

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all activities of the Department, which are all classified as governmental activities.

PARMA SANDSTONE FIRE DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

B. Government-Wide and Fund Financial Statements: (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Intergovernmental support and other items not properly included among program revenues are reported as general revenues.

C. Measurement Focus/Basis of Accounting:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

D. Financial Statement Presentation:

The Department uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain Department functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

The Department reports the following major funds:

General Fund – the General Fund is used to account for all financial resources except those the Board requires to be accounted for in a separate fund.

Insurance Recovery Fund – this fund accounts for the charges to insurance companies for fire and rescue services, schooling deposits from firefighters, donations received, and other revenues as designated by the Board. The Board allows the Department's chief greater discretion in determining how these funds are to be used, but they are still subject to state law and Board approval.

**PARMA SANDSTONE FIRE DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

E. Deposits:

The Department has defined cash and cash equivalents as demand deposits (checking accounts), savings accounts, and short-term investments with an original maturity of 90 days or less when acquired.

Deposits are reported at cost.

F. Capital Assets:

Capital assets are defined as assets with an initial individual cost of \$1,000 or greater and an estimated useful life of more than one year. Capital assets are recorded at their cost, or fair market value for donated assets. The cost of normal repairs and maintenance that do not add to the value of the asset or materially extend asset lives are not capitalized. Major improvements are capitalized and depreciated over the remaining useful lives

The Department has established the following useful lives for its assets:

Building and improvements	10-40 years
Equipment	7-10 years
Office equipment	5 years
Vehicles	5-20 years

All capital assets are recorded and depreciated in the government-wide financial statements. No long-term capital assets or depreciation are shown in the governmental fund financial statements.

G. Fund Equity:

The unreserved fund balances for governmental funds represent the amount available for financing future operations.

H. Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

Formal budgetary integration is employed as a management control device during the year for the General Fund. The budget was adopted on a modified accrual basis. The budget can be adopted or amended by a majority vote of the Fire Board, subject to the approval of the boards of the participating entities.

PARMA SANDSTONE FIRE DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY: (Continued)

BUDGET VIOLATIONS:

Public Act #621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. The Department's actual and budgeted expenditures for the budgetary funds have been shown on a line item basis, consistent with the adopted budget.

The Department did not adopt a budget for its Insurance Recovery Fund.

For the thirteen months ended March 31, 2006 the Department incurred expenditures which were in excess of the amounts appropriated. These variances are as follows:

	FINAL BUDGET	ACTUAL	OVER EXPENDITURE
Firefighter wages	\$ 48,700	\$ 49,678	\$ (978)
Truck repair	\$ 10,000	\$ 12,952	\$ (2,952)
Building maintenance	\$ 1,785	\$ 1,803	\$ (18)
Training	\$ 3,911	\$ 4,309	\$ (398)
Miscellaneous	\$ 1,980	\$ 1,991	\$ (11)
Turnout cleaning	\$ 1,021	\$ 1,199	\$ (178)

NOTE 3 – DEPOSITS:

The Board's Treasurer is authorized by state law and a resolution from the Board to invest surplus funds as follows in accordance with Village of Parma's investment policy:

Certificates of deposit, savings accounts, deposit accounts or depository receipts of a federally insured bank or credit union, but only if the bank, or credit union meets all criteria as a depository of public funds contained in state law.

Board investment policies also address the following risks:

Interest rate risk – refers to the risk of a loss in the fair value of securities due to rising interest rates. The Department attempts to minimize this risk by carefully analyzing the length of times deposits are invested and cash flow needs to maximize earnings potential while keeping interest rate risk at an acceptable level. Currently, the excess funds of the Department are held in interest bearing savings account at a local credit union.

Custodial Credit Risk – refers to the risk the Department faces due to the failure of the issuer of a financial institution holding Department deposits. The Department does not limit the amount that can be deposited with a financial institution. During March 2006 the Department's deposits exceeded the amount covered by FDIC insurance.

PARMA SANDSTONE FIRE DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS

NOTE 3 - DEPOSITS: (continued)

The risk disclosures for the Department's deposits are as follows:

<u>CASH AND INVESTMENTS</u>	<u>FINANCIAL STATEMENT AMOUNT</u>	<u>BANK BALANCE</u>
Insured (FDIC)	\$ 103,064	\$ 103,064
Uninsured	149,388	149,388
	<u>\$ 252,452</u>	<u>\$ 252,452</u>

These are reported in the financial statements as follows:

Cash	\$ 141,647
Investments	110,805
	<u>\$ 252,452</u>

NOTE 4 - CAPITAL ASSETS:

Activity for capital assets of the Department is summarized below:

	<u>BALANCE 03/01/05</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE 02/28/06</u>
Assets not being depreciated:				
Land	\$ 15,000	\$ -	\$ -	\$ 15,000
Assets being depreciated:				
Cost:				
Building and improvements	209,275	-	-	209,275
Equipment	55,428	13,195	-	68,623
Office equipment	1,395	-	-	1,395
Vehicles	563,417	-	-	563,417
Total cost	<u>829,515</u>	<u>13,195</u>	<u>-</u>	<u>842,710</u>
Accumulated depreciation:				
Building and improvements	132,757	5,494	-	138,251
Equipment	44,876	3,983	-	48,859
Office equipment	1,395	-	-	1,395
Vehicles	326,783	25,915	-	352,698
Total cost	<u>505,811</u>	<u>35,392</u>	<u>-</u>	<u>541,203</u>
Net assets being depreciated	<u>323,704</u>	<u>(22,197)</u>	<u>-</u>	<u>301,507</u>
Net capital assets	<u>\$ 338,704</u>	<u>\$ (22,197)</u>	<u>\$ -</u>	<u>\$ 316,507</u>

PARMA SANDSTONE FIRE DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 - TRANSFER OF FUNDS:

The townships are to remit funds to the Department in two transfers. The first transfer of funds for financing the Department's operations is to be made on or before March 15th annually. This shall include any collections of voted millage levied for the operation and maintenance of the Department which was collected by the townships before the end of the immediately preceding February as part of its tax collection.

The second transfer of funds is to be made within ten calendar days after the date that the Jackson County Treasurer funds delinquent to the townships in accordance with Michigan Public Act 206.

Currently, the townships are collecting a 1.25 mill levy starting with their 2005 tax collection and running through their 2011 tax collection. The initial transfer of funds from this 2005 levy occurred in March 2006, and the second distribution occurred in May 2006. Both transfers have been recognized as revenue for the thirteen months ended March 31, 2006 (the first transfer was received prior to year end; the second transfer occurred within 60 days of year end).

NOTE 6 - RISK FINANCING:

The Department is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the year.

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule - General Fund

PARMA SANDSTONE FIRE DEPARTMENT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
THE YEAR ENDED MARCH 31, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:				
Intergovernmental:				
Government contributions:				
Sandstone Charter Township	\$ 52,840	\$ 55,890	\$ 245,950	\$ 190,060
Parma Township	52,840	55,890	135,431	79,541
Parma Village	45,673	48,237	32,438	(15,799)
Total government contributions	151,353	160,017	413,819	253,802
Federal grants	-	-	-	-
State grants	-	-	-	-
Total intergovernmental	151,353	160,017	413,819	253,802
Charges for service	-	-	-	-
Interest	-	-	284	284
Donations	-	-	-	-
Total revenues	151,353	160,017	414,103	254,086
EXPENDITURES:				
Public Safety:				
Chief's salary	10,700	11,592	11,591	1
Officer's salaries	9,700	10,300	10,300	-
Firefighter wages	44,700	48,700	49,678	(978)
Payroll taxes	5,100	5,575	5,497	78
Chief's expenses	2,000	532	377	155
Office supplies	1,200	1,200	860	340
Operating supplies	5,175	3,210	1,817	1,393
Repairs and maintenance	2,500	3,205	3,205	-
Professional services	-	-	-	-
Mowing	1,500	1,500	720	780
Radio maintenance	3,500	3,500	2,444	1,056
Computer expense	1,500	2,098	1,029	1,069
Truck repair	10,000	10,000	12,952	(2,952)
Gas and oil	4,000	4,300	4,084	216
Printing	300	460	431	29
Insurance	18,900	23,493	23,461	32
Medical	2,000	2,000	1,984	16
Telephone	2,450	2,635	2,365	270
Utilities	8,053	8,781	7,539	1,242
Building maintenance	3,200	1,785	1,803	(18)
Training	2,500	3,911	4,309	(398)
Miscellaneous	600	1,980	1,991	(11)
Memberships and dues	1,275	1,275	1,063	212
Capital outlay - Under threshold	-	2,429	2,429	-
Turnout cleaning	2,500	1,021	1,199	(178)
Capital outlay	8,000	4,535	4,535	-
Total expenditures	151,353	160,017	157,663	2,354
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	256,440	256,440
FUND BALANCE - Beginning	-	-	-	-
FUND BALANCE - Ending	\$ -	\$ -	\$ 256,440	\$ 256,440

The accompanying notes are an integral part of this statement.

MARKOWSKI & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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MEMBERS:

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

ESTATE PLANNING COUNCIL OF
SOUTH CENTRAL MICHIGAN

K. LAVERNE MARKOWSKI, C.P.A.
RONALD L. MARKOWSKI, C.P.A.
DOUGLAS E. ATKINS, C.P.A.

Fire Board
Parma Sandstone Fire Department
Jackson County, Michigan

We have audited the financial statements of Parma Sandstone Fire Department as of and for the thirteen months ended March 31, 2006, and have issued our report thereon dated August 30, 2006. Professional standards require that we provide you with the following information related to our audit.

Our responsibility under Generally Accepted Auditing Standards

As stated in our engagement letter dated July 10, 2006, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts including fraud may exist and not be detected by us.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Parma Sandstone Fire Department are described in Note 1 to the financial statements. We noted no transactions entered into by the Parma Sandstone Fire Department during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was the depreciable lives of the capital assets.

We evaluated the lives of each of the assets to determine that they are being expensed over the proper period of time.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by the Parma Sandstone Fire Department that could potentially cause future financial statements to be materially misstated, even though we have concluded that such adjustments are not material to the current financial statements. There were no such proposed adjustments for the thirteen months ending March 31, 2006.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Parma Sandstone Fire Department's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

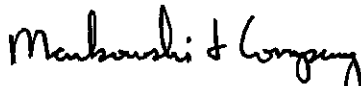
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Parma Sandstone Fire Department's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

The Village clerk and treasurer and the Fire Department staff were extremely helpful and cooperative during our audit. We did not encounter any difficulties in completing our audit.

This information is intended solely for the use of the Fire Board and management of Parma Sandstone Fire Department and should not be used for any other purpose.

Very truly yours,



MARKOWSKI & COMPANY CPAs

August 30, 2006

PARMA SANDSTONE FIRE DEPARTMENT

MEMORANDUM OF COMMENTS AND RECOMMENDATIONS FOR THE THIRTEEN MONTHS ENDED MARCH 31, 2006

This is the first time a separate audit report has been issued for the Parma Sandstone Fire Department. As a result, there were increased audit tests performed, and many more questions asked of the Fire Chief and his assistant, as well as the Village staff. We appreciate their timely and courteous replies to our inquiries.

We would like to offer the following suggestions for the future:

1. EXPENDITURES IN EXCESS OF BUDGET

Michigan law prohibits spending amounts in excess of appropriations (budgeted amounts). As noted in our audit report, there were instances of spending amounts greater than budget.

It should be noted that the budget for this fiscal period, in that the annual budget was extended to include a thirteenth month (future annual reports will now coincide with the year end of the participating townships).

We recommend that the Fire Board continue to carefully review its actual revenue and expenditures to budgeted amounts at least once per quarter. Amendments to the budget should be made after reviewing all financial information.

2. COMPLIANCE WITH THE DEPARTMENT'S CONFLICT OF INTEREST POLICY

During our audit, we noted that the Fire Department spent approximately \$2,000 with a company owned by the Assistant Fire Chief. The Intergovernmental Agreement establishing the Fire Department has a conflict of interest policy which states that no employee of the Fire Department shall be a party to a contract with the Board, unless the contract is awarded to the lowest qualified bidder upon receipt of sealed bids, pursuant to a published notice for bids.

The Fire Board should ensure that this policy is being properly enforced, and that appropriate documentation is maintained on file.

3. DETERMINING LAWFUL EXPENDITURES

We noted improvement in the procedure for paying bills in a timely manner during this audit. The mileage documentation is also greatly improved for reimbursement checks. We did note, however, that certain meal reimbursements (in conjunction with training classes) did not have complete documentation regarding exactly what the Fire Department was reimbursing.

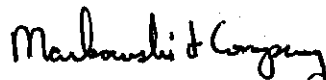
To ensure compliance with the State's prohibition against reimbursing for alcohol, efforts should be made to obtain detailed receipts for any reimbursable meals.

CONCLUSION

We would like to thank the Village treasurer, Mary France the Village clerk, Katie Cotey, Fire Chief Jim Hesselgrave, and Assistant Chief Ed Smith, for their cooperation and patience during the audit process.

If anyone has questions regarding the items discussed in our memorandum, or if we can be of assistance with the implementation of any suggested changes, please feel free to contact us.

Sincerely,



MARKOWSKI & COMPANY CPAs

August 30, 2006